

DECLARATION OF RONALD B. PHILLIPS

I, RONALD B. PHILLIPS, do hereby declare:

1. I am a senior financial investigator for the Drug Enforcement Administration and have held this position for the last four years. In this capacity, I conduct and provide supervision of financial investigations of individuals suspected of generating proceeds from the importation, production and distribution of illegal narcotics and controlled substances.

2. I am a retired special agent of the Internal Revenue Service, Criminal Investigations, having served in that capacity for 28 years. During my career as a special agent, I conducted many investigations of individuals involved in criminal tax offenses, money laundering, and narcotics trafficking. Those investigations included measuring the proceeds generated from those illegal activities and identifying financial events for which the subjects of those investigations, and others on their behalf, were found to be a party that were in violation of one or more of the Federal money laundering statutes.

3. This declaration is submitted in support of the complaint seeking *in rem* forfeiture of the following real property:

- The real property, including the tract of land and any appurtenances or improvements on that property commonly known as 63450 Shinglehouse Road, Coos Bay, Oregon,
- The real property, including the tract of land and any appurtenances or improvements on that property commonly known as 63055 Coal Creek Road, Coos Bay, Oregon, and
- The real property, including the tract of land and any appurtenances or improvements on the property commonly known 11385 East Evan Creek Road, Rogue River, Oregon.

4. As set forth below, there is probable cause to believe, and I do believe, that Kenton Anthony Parsons, Jr., hereinafter referred to as Parsons, and others engaged in activities

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constituting illegal narcotics possession, manufacturing, trafficking and conspiracy in violation of 21 U.S.C. §§ 841 and 846 at these properties and therefore, there is probable cause to believe those properties were used to commit and facilitate violations of 21 U.S.C. § 881(a)(7).

5. I am conducting this investigation jointly with other federal and local law enforcement officers. The facts set forth in this declaration are based my own personal knowledge, knowledge obtained from other individuals during my participation in this investigation, including other law enforcement officers, interviews of witnesses, my review of records and reports related to this investigation, communications with others who have knowledge of the events and circumstances described herein, and information gained through my training and experience.

6. Since this declaration is being submitted for the limited purpose of complaints *in rem* for forfeiture, I have not included each and every fact known to me concerning this investigation. I have set forth only the facts which are necessary to establish probable cause to believe that the assets described herein are subject to forfeiture. Statements from witnesses are not intended to be direct quotations unless indicated.

APPLICABLE LAW

Title 21 U.S.C. § 841 provides in part:

Except as authorized by this subchapter, it shall be unlawful for any person knowingly or intentionally to manufacture, distribute, or dispense, or possess with intent to manufacture, distribute, or dispense, [marijuana].

Title 21 U.S.C. § 881(a) provides, in part:

The following shall be subject to forfeiture to the United States and no property right shall exist in them:

(7) All real property, including any right, title, and interest (including any leasehold interest) in the whole of any lot or tract of land and any appurtenances or improvements, which is used, or intended to be used, in any manner or part, to commit, or to

facilitate the commission of, a violation of this subchapter punishable by more than one year's imprisonment.

SUMMARY OF THE INVESTIGATION

7. I have been part of an investigation of Kenton Anthony Parsons, Jr., and others for illegal narcotics possession, manufacturing, trafficking and conspiracy in violation of 21 U.S.C. §§ 841 and 846 and of money laundering in violation of 18 U.S.C. §§ 1956 and 1957. As set forth in more detail below, based on the investigation, law enforcement developed probable cause to believe, and I do believe, that Parsons was manufacturing (cultivating) marijuana at the following three locations:

63450 Shinglehouse Road
Coos Bay, Oregon

63055 Coal Creek Road
Coos Bay, Oregon

11385 East Evan Creek Road
Rogue River, Oregon

8. Based on the evidence developed over the course of this investigation including power records and aerial photographs, it appears that the properties were used for both the indoor and outdoor cultivation of marijuana depending on the time of year.

9. As a result of this investigation, on September 4, 2012, the Honorable Thomas M. Coffin authorized search warrants on three locations: (1) 63450 Shinglehouse Road, Coos Bay, Oregon; (2) 63055 Coal Creek Road, Coos Bay, Oregon; and (3) 11385 East Evan Creek Road, Rogue River, Oregon for purposes of looking for evidence of violations of 21 U.S.C. § 841 and 18 U.S.C. §§ 1956 and 1957.

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10. Parsons had been previously convicted in Douglas County, Oregon, on October 15, 1992, for a Class A felony for the manufacturing and delivery of a controlled substance (marijuana). In that case, Parsons had purchased approximately 28 pounds of marijuana for which he paid \$27,000 in currency.

INVESTIGATION OF EACH PROPERTY SUBJECT TO FORFEITURE:

63450 Shinglehouse Road, Coos Bay, Oregon:

Background and Ownership

11. Property records reflect that Parsons currently owns and resides at 63450 Shinglehouse Road in Coos Bay, Oregon, and has owned the property since June 2007. I have reviewed records from Pacific Power and Light, the utility company that provides electric service to this property, and those records reveal that electrical service for this residence and outbuilding has been and is currently in Parsons' name. These records also show that the electric consumption at this property in kilowatt hours (KWH) for the last eighteen months, were as follows:

<u>Month</u>	<u>Residence</u>	<u>Shop</u>	<u>Total</u>
January 2011	888	8487	9375
February	978	11137	12115
March	1182	8831	10013
April	1284	7830	9114
May	1628	8999	10627
June	1861	8547	10408
July	1436	9565	11001
August	1495	9700	11195
September	1386	9991	11377
October	2472	7962	10434
November	1808	9308	11116
December	3710	10238	13948
January 2012	2827	9510	12337
February	3830	8782	12612
April	3279	10921	14200

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May	3384	7061	10445
June	2485	5854	8339

12. Sergeant Toby Floyd is the supervisor of South Coast Interagency Narcotics Team (SCINT) in Coquille, Oregon. SCINT conducts and coordinates with other law enforcement agencies the investigations of illegal drug activity in Coos and Curry counties. Sergeant Floyd's team includes investigators assigned to SCINT from city, county and state law enforcement agencies within these counties. Sergeant Floyd told me from his experience in investigating individuals engaged in the indoor cultivation of marijuana, that the electric kilowatt hour usage for most residences the size of 63450 Shinglehouse Road in Coos Bay would most likely average less than 2,000 kilowatt hours per month. Sergeant Floyd told me that based on his experience electric consumption of over 9,000 kilowatt hours per month for the shop strongly indicates the likelihood of a large indoor marijuana grow. Further, he stated that the electric kilowatt hour consumption for this residence suggests that it also is being used for the cultivation of marijuana.

13. Sergeant Floyd informed me from his observations of this property he has seen nothing and is not aware of any business activity occurring at this property that would legitimately explain the large consumption of electricity. Additionally, Sergeant Floyd told me that on May 24, 2012, he drove by 63450 Shinglehouse Road and he could smell the strong odor of marijuana within 80 yards of this property. He stated that based on his experience and on his view the surrounding property, the marijuana smell was coming from the residence and/or outbuildings at 63450 Shinglehouse Road.

14. The following is the ownership of the property at 63450 Shinglehouse Road in Coos Bay, Oregon:

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<u>Date</u>	<u>Event</u>
08/01/2002	A Warranty Deed was filed on this property reflecting that this property was sold by David Judy, who was Parsons' friend and neighbor, to Tia Parsons, who is Kenton Parsons' daughter, on August 1, 2002 for \$42,000.
06/06/2007	A Bargain and Sale Deed was filed on this property that was signed by Tia Parsons conveying her interest in this property to Kenton Parsons.
03/25/2009	A Trust Deed was filed on this property by Ticor Title reflecting that an \$80,000 encumbrance was attached to this property by David Judy and Sandra Cardwell. On March 30, 2009 a check from Ticor Title in the amount of \$78,717.55 was deposited in Parsons' account at Umpqua Bank which is the net proceeds from the \$80,000 loan from Judy and Cardwell.
05/16/2011	A <i>Trust Deed</i> was filed on this property reflecting an encumbrance of \$80,000 owed to Dewitt Haworth. The title company records reflect that the balance owing on the March 25, 2009 \$80,000 trust deed to Judy and Cardwell was paid off with the proceeds from an \$80,000 loan from Haworth.
06/28/2011	A Deed of Re-conveyance was filed on this property by a title company reflecting that the March 25, 2009 trust deed of the \$80,000 encumbrance had been satisfied.
11/23/2011	A Modification of Deed of Trust was filed on this property by a title company reflecting that the \$80,000 Haworth loan was modified increasing the amount secured from \$80,000 to \$185,000. The title records reflect Haworth loaned as additional \$105,000 to Parsons that was secured to 63450 Shinglehouse Road, Coos Bay, Oregon.

15. Normally, real estate is financed by banks and other financial institutions, not individuals. Banks and other financial institutions typically require an inspection of the property and are unlikely to lend if they know the property is being used for illegal activity, including dealing marijuana. Individuals involved in the illegal cultivation and distribution of marijuana commonly known that property found being used for that purpose is subject to being seized and forfeited by law enforcement, but only if there is sufficient equity. It is believed, therefore, that those engaged

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in the illegal cultivation of marijuana will often engage in transactions designed to create encumbrances discouraging seizure and forfeiture of properties they own. This often involves others including friends, family and possibly co-conspirators in creating these encumbrances knowing the event marijuana was discovered being cultivated on that property they could claim to be "innocent owners" in what is suspected of being an attempt to thwart that forfeiture.

Brief encounter and subsequent phone conversation with Dewitt Haworth

16. On the day search warrants were served on 63450 Shinglehouse Road, Coos Bay, Oregon, Dewitt Haworth was seen visiting this residence subsequent to the completion of the searches law enforcement and the premises being vacated. At that time it was not recognized that Haworth was the individual referenced above for lending the \$185,000 to Parsons for which a trust deed was filed against this property for that amount.

17. Sergeant Toby Floyd told me that he subsequently tried to make an appointment with Haworth to discuss his business relationship with Parsons, and Haworth told him over the phone that he knew that Parsons was involved in "medical marijuana." He told Sergeant Floyd that they were friends and rode motorcycles together.

18. On the day search warrants were served on Parsons' residence at 63450 Shinglehouse Road, Coos Bay, Oregon, the strong smell of marijuana was present within that residence. Therefore, it is believed that Haworth was aware that house was being used for the cultivation and drying of marijuana.

Results of the search warrant served on 63450 Shinglehouse Road, Coos Bay, Oregon

19. On September 5, 2012, DEA Eugene Resident Office agents along with South Coast Interagency Narcotics Team detectives executed a federal search warrant at 63450 Shinglehouse Road in Coos Bay, Oregon. During the execution of the search warrant, agents seized

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approximately 131 gross pounds of dried marijuana, six dying marijuana plants and miscellaneous documents from the residence. Sergeant Floyd told me that evidence was found that a number of rooms at the residence and in outbuildings on the property were being used for cultivating marijuana. Agents located and did not seize lights, ballasts, reflective hoods, drying racks, vacuum seal bags, pots and chemicals known to be commonly used in the cultivation and packaging of marijuana.

63055 Coal Creek Road, Coos Bay, Oregon

Background and Ownership

20. I have also determined from documents on file at the Coos County Courthouse that Parsons owns the property at 63055 Coal Creek Road, Coos Bay, Oregon, and that he purchased that property in October 2006.

21. Pacific Power and Light records reveal that the electrical consumption at this property for December 2009 through July 2011, was as follows:

<u>Month</u>	<u>KWH</u>
December 2009	7179
January 2010	8020
February	7458
March	9513
April	9012
May	6675
June	9376
July	2215
August	9192
September	6351
October	8183
November	10135
December	8865
January 2011	7807
February	6937
March	2960
April	1521

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May	1221
June	1363
July	3058

22. Sergeant Floyd told me that he has driven by the residence at 63055 Coal Creek Road on many occasions and did not observe anything indicating any legitimate activity which would explain the large consumption of electricity. Further, Sergeant Floyd told me that based on his experience the electric consumption for that residence, similar to the residence at 63450 Shingle House Road in Coos Bay, Oregon, indicated the likelihood of a large indoor cultivation of marijuana.

23. As noted above, the large monthly consumption of electricity decreased between March 2011 and July 2011. In August 2011, the Pacific Power and Light account was switched to the name of Richard P. Richey. Since August 2011, the electric consumption for this property has increased as follows:

<u>Month</u>	<u>KWH</u>
August 2011	5771
September	6143
October	5400
November	7499
December	8043
January 2012	7539
February	8505
March	5088
April	5980
May	6913

24. The billing address for this account with Pacific Power and Light is 425 Hall, Apartment No. 4, in Coos Bay, Oregon, which Sergeant Floyd told me was the residence on file for Rich Richey.

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25. Recently, Sergeant Floyd also provided me a printout of a report on file with the Coos County Sheriff's Office reflecting that on January 19, 2011 a phone call was made to the Sheriff's Office reporting the following:

"RP (reporting person) refused to give his address. Occ (occupant) inside res (residence) hears things breaking; they grow MJ (marijuana)."

(The inserted parentheses are mine to help clarify the abbreviations used in this report).

26. Although the caller never identified himself, this call was from a phone identified by Sheriff's Office records belonging to Rich Richey. Therefore, it is believed that Richey was the caller and that he was reporting fears that the location he was at was in the process of being broken into by thieves seeking to steal marijuana. However, it is unclear at what address he was calling from.

27. Sergeant Floyd told me that he has been monitoring the residence at 63055 Coal Creek Road and it does not appear that anyone is living at that address despite the large consumption of electricity.

28. Prior to obtaining the search warrants for the Parson's properties, I read an article in the Coos Bay newspaper I read an article in the Coos Bay newspaper in which an individual who identified himself as Rich Richey was interviewed in connection with an organization providing clothing and other items to veterans distributing clothing to the needy. Richey claimed to the reporter that he was homeless.

29. As a result it is believed that the Rich Richey in whose name the electric service is for 63055 Coal Creek Road in Coos Bay, Oregon, is the same Rich Richey who was interviewed by the Coos Bay newspaper claiming to be homeless and is also the same Rich Richey who called

the Coos County Sheriff's reporting fears of someone breaking in the property he was at suspected by thieves seeking to steal marijuana.

30. Parsons claimed on his federal income tax returns for 2008 through 2011 that he was "renting" property at 63055 Coal Creek Road for which he received \$12,000 per year in "rental income." It is not believed, however, that this property is in fact being rented but having been used in the cultivation of marijuana believed of being orchestrated by Parsons.

31. The following is the ownership of the property at 63055 Coal Creek Road in Coos Bay, Oregon:

<u>Date</u>	<u>Event</u>						
05/19/2006	<p>A deed was filed on this property by a title company reflecting that this property was purchased by a David Judy for \$108,000. The title company records reflect that this property was purchased as follows:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Purchase price:</td> <td style="text-align: right;">\$108,000.00</td> </tr> <tr> <td>Earnest money</td> <td style="text-align: right;">\$ 2,000.00¹</td> </tr> <tr> <td>Funds tendered at closing</td> <td style="text-align: right;">\$106,386.37²</td> </tr> </table> <p>The \$106,386.37 was tendered with a withdrawal by Judy from his account at Sterling Bank. A check for \$20,000 two weeks earlier (dated May 4, 2006 from Parsons payable to David Judy) was deposited in Judy's account at Sterling Bank with a notation on that check "House."</p> <p>It appears now that property was being used for the cultivation of marijuana, and it is believed that this \$20,000 was Parsons' share of the funds tendered for the purchase of this property, and that it was purchased with the intent to be used for the cultivation of marijuana with David Judy being the nominee.</p>	Purchase price:	\$108,000.00	Earnest money	\$ 2,000.00 ¹	Funds tendered at closing	\$106,386.37 ²
Purchase price:	\$108,000.00						
Earnest money	\$ 2,000.00 ¹						
Funds tendered at closing	\$106,386.37 ²						
10/06/2006	<p>A deed was filed on this property reflecting that it was sold by Judy to Parsons for \$180,000.</p>						

Ticor Title Company records reveal that this was purchased as follows:

¹ The earnest money agreement reflects that the \$2,000 in earnest money was tendered in currency.

² The \$106,386.37 was tendered with a withdrawal by Judy from his account at Sterling Bank.

Earnest money	\$ 5,000.00 ³
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Funds tendered at closing	\$ 35,075.67
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Contract payable to Judy	\$140,000.00
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The \$35,075.67 was paid with a Umpqua Bank cashier's check dated 10/04/2006 purchased by Parsons with the following:

Currency	\$ 2,075.67
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Northwest Community Credit Union Official Teller Check	\$ 9,000.00 ⁴
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Withdrawal from Parsons' account	<u>\$24,000.00</u>
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Total	\$35,075.67
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12/8/2011 A *Full Re-Conveyance* was filed on this property by a title company conveying all right title and interest in this property to Parsons.

Parsons paid the contract payable to Judy with a withdrawal from his accounts at Umpqua Bank payable to Sandra Cardwell in the amount of \$103,732.45. Sandra Cardwell was David Judy's wife.

Results of the search warrant served on 63055 Coal Creek Road, Coos Bay, Oregon

32. On September 5, 2012, DEA Eugene Resident Office agents along with Douglas County Interagency Narcotics Team detectives executed a federal search warrant at 63055 Coal Creek Road in Coos Bay, Oregon. During the execution of the search warrant, agents seized approximately 54 live marijuana plants and miscellaneous documents from the residence.

33. DEA Special Agent Frank Sampson, the agent in charge of this investigation, told me that agents located high pressure grow lights, ballasts, reflective hoods, drying racks, vacuum seal

³ A representative from Ticor Title told me that the \$5,000 was paid by Parsons to Judy "outside of escrow." I have reviewed Parsons' bank records for October of 2006, and I am unable to find any check written or any withdrawal from his account for \$5,000. Therefore, it is believed that Parsons may have paid Judy this \$5,000 in currency.

⁴ This \$9,000.00 Official Teller Check was purchased with a withdrawal from Parsons' account at Northwest Community Credit Union for which \$9,100 in currency was deposited in that account on September 22, 2006. It is believed that this \$9,100 represents proceeds from Parsons' distribution of marijuana.

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bags, pots and chemicals established being used in the manufacturing and packaging of that marijuana. Only the marijuana under cultivation was seized, not the equipment used in its cultivation.

11385 East Evans Creek Road, Rogue River, Oregon

Background and ownership

34. I have reviewed records reflecting that Parsons purchased the property at 11385 East Evans Creek Road, Rogue River, Oregon. Those records reveal that it consists of approximately 61 acres, and that it was purchased by Parsons on September 24, 2007.

35. On April 27, 2009, Parsons applied for a permit for electrical service to be provided to this property. On that application, Parsons claimed he was growing "medical marijuana" on that property. This property was purchased for the following:

Purchase price	\$85,000.00
Earnest money	(\$ 1,000.00)
Promissory note	(\$35,000.00)
Closing	(\$49,375.66)

36. The \$49,375.66 was paid on September 24, 2007, with a withdrawal from Parsons' account at Umpqua Bank. The \$35,000 promissory note was paid off on May 20, 2009, with funds also withdrawn from Parsons' account at Umpqua Bank.

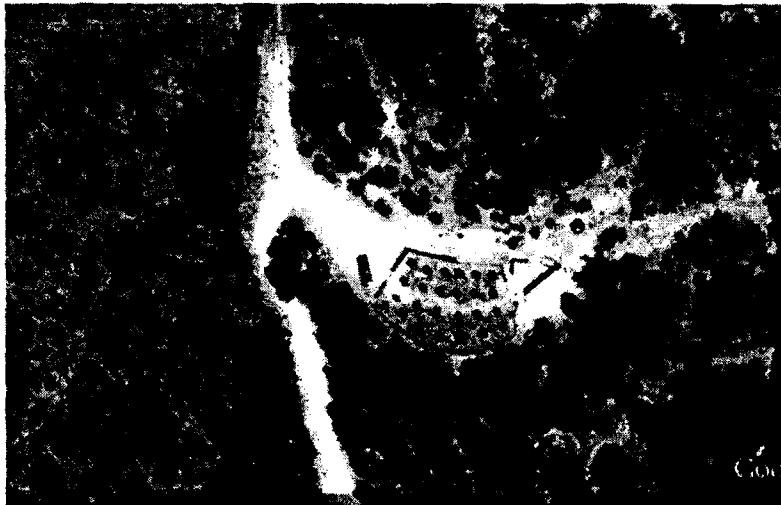
37. A review of Parsons' bank records reveal the following checks written on his account:

<u>Date</u>	<u>Amount</u>	<u>Payee</u>
05/27/2009	\$5,500	Rogue Valley Pump – 31694, 31695, 31699
04/09/2009	\$5,000	Rogue Valley Pump Service – Noted "Pump on E Evans Ck."

38. It is believed that these pumps were purchased for the purpose of providing water for the marijuana being cultivated on this property.

39. Google Earth is a mapping service for which satellite photographs of many locations worldwide are accessible via the Internet. Recently, I was provided a picture of this property that a DEA employee found from researching Google Earth. The picture was likely taken sometime in 2010.

40. That picture is as follows:



41. Sergeant Floyd told me based on his experience in flying in aircraft in search of outdoor cultivations of marijuana, that this photograph appears to him to reveal twenty five (25) very large marijuana plants. Sergeant Floyd stated that from this photograph he believes these plants were in excess of 15 feet tall and in excess of 5 feet in diameter. He told me that plants that size can produce up to 3 to 5 pounds of marijuana bud per plant.

42. I know from my experience that Marijuana bud can sell for approximately \$3,000 per pound. Therefore, twenty five plants could produce between seventy five (75) and one hundred and twenty five (125) pounds of marijuana bud, generating between \$225,000 and \$375,000 in sales.

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43. Sergeant Floyd told me that in May of this year he arranged for an aircraft to fly over this property. Sergeant Floyd provided me with the following photograph of this property taken during that flight:



44. Sergeant Floyd told me it appears to him that this large black object appears to him to be a screen, approximately one hundred (100) feet long and twenty (20) feet wide, for which he believes is being used in furtherance of the cultivation of marijuana.

45. Sergeant Floyd stated that based on his experience, screens such as this serve as a greenhouse for cultivating marijuana, and for keeping deer from eating the marijuana plants being cultivated. He stated that screens such as this further aids in the concealment of the extent of the number of plants being cultivated from being detected from the air.

Results of the search warrant served on the property at 11385 East Evans Creek Road, Rogue River, Oregon

46. On September 5, 2012, DEA Eugene Resident Office agents along with DEA Medford Resident Office agents executed a federal search warrant at 11385 East Evans Road in Rogue River, Oregon. During the execution of the search warrant, agents seized 63 live marijuana plants growing outdoors. This marijuana was found being cultivated under the netting seen in the above photograph.

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Interview with Parsons

47. On September 5, 2012, during the service of the search warrants, Parsons was interviewed at 11385 East Evans Creek Road in Rogue River. During that interview, Parsons said that he has been growing marijuana at that address for approximately four years. He stated he did not have any "patients" as defined by the Oregon Medical Marijuana Program (OMMP) but that three other people were utilizing the property as "their grower site" under the OMMP. However, Parsons stated that they are not taking care of the marijuana plants. Consequently, Parsons claimed that he was the only person taking care of the marijuana plants.

48. Parsons claimed that he could have up to 72 plants on the property. He further stated that the 63 plants seized on that property had been moved from 63450 Shinglehouse Road in Coos Bay, Oregon earlier this summer because the electrical bills were very high to continue to operate an indoor marijuana grow there.

49. Parson stated he owns the property on East Evans Road outright and that the property was, "only good for growing marijuana." Parsons stated that he also owns the property at 63055 Coal Creek Road in Coos Bay, Oregon. However, he claimed that he rented the property to a Richard but could not recall Richard's last name.

50. Parsons stated he was self-employed for the past ten years as a handy man charging \$400 per day for his services and that he makes \$25,000 to \$30,000 per year before taxes. He stated that he only accepts cash as the form of payment for his services. Parson estimated that he works approximately six months out of the year. He stated that his handyman/construction cleanup business was not licensed and that he does no advertising and that all his business was obtained by word of mouth.

51. Parsons stated when he harvests the marijuana plants he gets approximately 1 ½ pound of bud per plant from the 24 plants he possess that are under cultivation. He claims that he keeps approximately 6 pounds of processed marijuana for himself. He claimed that he gives the marijuana to “patients” or growers that have made a donation to help cover the expenses for growing the marijuana. Parsons stated that donation was not a specific amount but more based upon current market price of \$2,000 per pound for marijuana.

52. Parsons stated that he was hoping to harvest 90 pounds of marijuana bud from the marijuana plants on East Evans Creek Road this year.

CONCLUSION

53. As set forth previously in this declaration, based on the evidence recovered from all three locations, Parsons found utilizing each in which to either cultivate or dry marijuana.

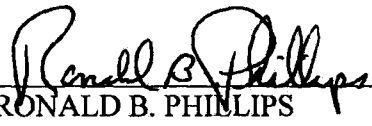
54. Based on the foregoing there is probable cause to believe, and I do believe, that Kenton Anthony Parsons, Jr., engaged in activities constituting illegal narcotics possession, manufacturing, trafficking and conspiracy in violation of 21 U.S.C. §§ 841 and 846.

55. Therefore, I believe that the following properties:

- The real property, including the tract of land and any appurtenances or improvements on that property commonly known as 63450 Shinglehouse Road, Coos Bay, Oregon,
 - The real property, including the tract of land and any appurtenances or improvements on that property commonly known as 63055 Coal Creek Road, Coos Bay, Oregon, and
 - The real property, including the tract of land and any appurtenances or improvements on the property commonly known 11385 East Evan Creek Road, Rogue River, Oregon,
- were used to commit and facilitate violations of 21 U.S.C. §§ 841 and 846 and are therefore subject to seizure and forfeiture pursuant to 21 U.S.C. § 881(a)(7).

I declare under penalty of perjury that the foregoing is true and correct pursuant to 28
U.S.C. §1746.

Executed this 6th day of November, 2012 in Seattle, Washington.


RONALD B. PHILLIPS
DEA Senior Financial Investigator

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